

# CROP INSURANCE NEWSLETTER

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COURTESY OF J. T. DAVIS INSURANCE AGENCY, INC.

## Wheat Prices Soar

Wheat prices have hit a two-year high as Russia cut its grain harvest forecast by millions of tons following its worst drought for decades. Russia has experienced its hottest summer since record-keeping began 130 years ago, and wildfires are spreading into farmland. The harsh weather has destroyed one-fifth of the wheat crop in Russia, which is currently the world's third major exporter of the grain.

Concerns about Russia, coupled with a drought that has also hit Ukraine and Kazakhstan as well as a low harvest in Canada have caused concerns about a shortage of wheat.

Wheat prices recently spiked on the Chicago Board of Trade and the Euronext in Paris to the highest level since 2008. Wheat prices have seen the largest one-month jump in more than three decades with a 75% increase since early July.

"This run-up has caught everyone in the marketplace by surprise." Says Bill Lapp, an economist and founder of Advanced Economic Solutions in Omaha, Nebraska. "We don't know how large the crop will be in Russia, the Ukraine, or Kazakhstan, and until we have an idea, we will have extreme volatility and the potential for higher prices."

## New Tobacco Policy

All tobacco producers, by now, should be aware of changes in the new tobacco policy effective for the 2010 crop year.

Rural Community Insurance Service (RCIS) sent a summary of changes in addition to a new policy to all policyholders. In addition, we covered the significant changes in our Spring Newsletter as well as at various farmer meetings.

The most significant changes are:

### Quality Adjustment-

Revised the provisions to specify quality adjustment may apply when production has been damaged by insurable causes of loss and only when the average value per pound for the damaged tobacco is less than 75 percent of the insured's tobacco price election.

In order to receive quality adjustment on tobacco, your average price per pound must be below \$1.31 per pound. Also, **an adjuster must verify problems with quality in the tobacco field prior to that tobacco being harvested and sold.**

With this in mind, it is most important that any problems with your tobacco crop be reported to us as soon as it occurs. Once an adjuster has witnessed the quality problem, **any subsequent problems of a different nature should be reported to us as it occurs.**

### Stalk & Stubble Inspection -

**Producers who have filed a notice of loss must leave all tobacco stalks and stubble in the unit intact for inspection.** This is new for Burley and Dark Fired Tobacco. Notify us or adjuster when harvest is complete for an inspection.

However, inventories of wheat are at a 23-year high. With Ag Economist saying that "this is 2008-2009 all over again" means there will be one thing certain - extreme volatility in the market.

In crop year 2008, base price was \$5.93. Harvest price came in at \$7.93 which was capped at \$2.00 above base price. If you experienced a production loss your guarantee was recalculated using the \$7.93, and you paid no more premium.

In crop year 2009, base price was \$8.58. Harvest price came in at \$5.80 or a \$2.78 drop. Using a 50 bushel yield and 75% coverage level, your normal trigger for a loss would be 37.5 bushels. However, with the price drop to \$5.80, a loss would be triggered at 55.5 bushel yield. In simple terms, you could yield above your average and experience a loss.

We would encourage each wheat producer to look closely at his risk management plan. If you do not currently insure your wheat crop under a revenue plan, you need to do so. You also need to look at your level of coverage.

**Look closely at your wheat coverage.**

Sales closing is September 30, 2010. Give us a call at 1-800-248-5480.

## Pasture/Hay Coverage Now Available

The Pasture, Rangeland, Forage (PRF) Rainfall Index pilot plan is now available in Virginia and North Carolina.

Some important facts are listed below:

- Good Risk Management
  - Keep plans on track (maintain herd size)
  - Government pays up to 59% of your premium
  - Tax Deductible
    - Affordable cost
    - Tailor your coverage to "fit your pocketbook"
- Satisfies linkage at FSA
  - Disaster program for hayland
  - Livestock Forage program for pasture
  - Eliminates requirement for NAP
    - \$500/pasture and hayland
  - Program paid out \$79,017,868 in 2008 in 12 states
    - "The Program Works"
- Provides protection when rainfall is below normal as determined by coverage level you choose. You can trigger a loss if rainfall falls below 10% of normal.
- You must allocate a percentage of your total insured acres-your total risk-for a given type, grid and share into at least 2-month time periods called Index Intervals. You may choose from eleven Index Intervals.

- How to select an interval
  - What months are most critical for rainfall to produce forage?

■ You must elect to insure grazing land or hay land. Different county base values apply to each type.

■ You select a Protection Factor with a value between 60 and 150 percent of the County Base Value. This further customizes your coverage.

■ You choose a coverage level of 70, 75, 80, 85, or 90.

■ You can choose to insure only the acres important to your grazing program or hay operation. The program is simple with **no** record keeping requirements involved.

**Sales closing** is September 30<sup>th</sup>, 2010

**Acreage reporting** is November 15<sup>th</sup>, 2010

**Premium billing** is July 1 of the following year

We did not get this program until a few days before Sales Closing for the 2010 crop year, thereby limiting all agent's ability to get insureds enrolled.

This program would have paid off handsomely over the past ten years. Using my home grid as an example, payable losses would have been generated 50% of the time, on average, with a high of 80% in certain intervals.

Contact us at 1-800-248-5480 for more details.

### Fall Acreage Reporting

You should report your acreage planted, including preventive plant acres, to FSA prior to reporting to us.

By doing this, we can retrieve you're acreage report through the new Comprehensive Information Management System (CIMS) which enables us to have the same information as FSA. Or you can provide us a copy of 578 Producer Print (PP) from FSA.

The key is reporting to FSA this fall as soon as planting is completed. **Do no wait until spring to report your fall planted crops to FSA.**

## Production Reporting

Each crop year, prior to harvest, we send you a production reporting form to be used in reporting production by unit. You will only need to report on non-loss units.

This form should be **signed** and sent back to us as soon as harvest, and/or sales are complete. By returning promptly, we can update your database and be prepared to run a timely quote for the next crop year.

In addition, prompt reporting will allow us to determine if a revenue loss, if applicable, will be generated.

#### We Bring To You:

- \* individual risk management planning
- \* toll-free phone service 1-800-248-5480
- experienced, competent adjusting staff
- \*office personnel with combined insurance
- \*experience of 73 years
- \* devoted 100% to crop insurance
- \* fast claim turn-around
- \* e-business capabilities

***“OUR BUSINESS IS KEEPING YOU IN BUSINESS”***

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